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Kentucky Municipal Energy Agency (KY): Fitch New Issue Report

The 'A' rating on the bonds and Issuer Default Rating (IDR) reflect Kentucky Municipal Energy Agency's (KYMEA) very strong revenue defensibility, supported by the long-term, take-and-pay power sales contracts (PSCs) signed with its all-requirements members, as well as by rate-setting requirements pursuant to those contracts that provide for an unlimited re-allocation of costs in case of member default. The ratings also consider KYMEA's evolving profile, including the expected loss of its largest member in 2029 and transitioning business strategy, as well as the credit quality of the agency's broad pool of purchasers. KYMEA's strong operating risk profile, evidenced by a low operating cost burden and flexible and diverse mix of power supply, and its strong financial profile are also important rating considerations.

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